

HEADQUARTERS  
UNITED STATES EUROPEAN COMMAND  
UNIT 30400, BOX 1000  
APO 09128

DIRECTIVE  
NUMBER 50-8

2 June 2000

**COMPTROLLER**

Management Control Program

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1. **Purpose.**

a. This directive implements the HQ USEUCOM Management Control Program (MCP) requirements based on DOD Directive 5010.38, Management Control Program, dated 26 August 1996 and the Federal Managers' Financial Integrity Act (FMFIA), as amended. It is a mission-oriented, senior managers' program focused on ensuring management controls (MC) are in place to support mission accomplishment with minimal loss or misuse of resources.

b. This command-wide program is implemented in order to provide reasonable assurance that:

(1) Obligations and costs comply with applicable law.

(2) Assets are safeguarded against waste, loss, unauthorized use and misappropriation.

(3) Revenues and expenditures applicable to HQ USEUCOM operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets (emphasizing activities involving funds, property, and other assets for which managers are responsible).

(4) Programs and administrative and operating functions are efficiently and effectively carried out in accordance with applicable law and management policy.

(5) The MC process emphasizes prevention of waste, fraud, mismanagement, and timely correction of MC weaknesses. It is not simply a finance and accounting program. It is a comprehensive program designed to cover all operational and administrative activities and areas. Proper MCs are a key factor in assisting HQ USEUCOM in accomplishing its mission in an efficient and effective manner.

c. This program is the basis for an annual statement from the DCINCEUR to the Secretary of Defense that the above outlined reasonable assurance exists. In this statement the DCINCEUR also highlights any material MC weaknesses identified, and provides a plan for any required corrective actions.

d. This directive assists senior managers in their responsibilities, provides guidance on the HQ USEUCOM MCP and establishes policies and procedures for managing and executing the MC process.

e. This directive modifies the requirements of the HQ USEUCOM Internal Management Control Program, Directive Number 50-8, dated 28 Jan 1994. Changes to that USEUCOM Directive appear throughout the body of this directive and attached appendixes. A summary of significant changes appears at Appendix A.

2. **Applicability.** This directive applies to all HQ USEUCOM organizational elements, directorates, offices, commands, and USEUCOM subordinate elements including the European Stars & Stripes (ES&S) and security assistance organizations under the command and control of HQ USEUCOM.

3. **Suggested Improvements.** ECCM-F is the proponent for this directive. Suggested improvements should be forwarded to HQ USEUCOM, ATTN: ECCM-F, Unit 30400, Box 1000, APO AE 09128.

4. **References.**

a. Office of Management and Budget Circular No. A-123, Revised, "Management Accountability and Control," June 21, 1995.

b. DOD Directive 5010.38, "Management Control Program", 26 August 1996.

c. DOD Instruction 5010.40, "Management Control Program Procedures", 28 August 1996.

d. Sections 3512 and 3515 of title 31, United States Code (also referred to as Public Law 97-255 and the Federal Managers' Financial Integrity Act (FMFIA) of 1982; and as amended by the Government Management Reform Act of 1994, Public Law 103-356, January 25, 1994).

e. Office of Management and Budget Circular A-127 (Revised), "Financial Management Systems," July 23, 1993.

f. DOD 7000.14-R, "DOD Financial Management Regulation," current edition, authorized by DOD Instruction 7000.14, November 15, 1992.

g. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, "Title II Accounting," May 1988.

h. Statements of Federal Financial Accounting Standards (through 1996 and as issued by the Office of Management and Budget).

i. Army Regulation 11-2 (1 Aug 94).

j. Management Control Administrators Handbook (OASA, FM&C, IR&MC: 8/96)

5. **Policy.**

a. The MC process shall be integrated into the daily management practices of all HQ USEUCOM managers, and shall:

(1) Be consistent with and satisfy all legal, regulatory and administrative requirements contained in references (a) through (h).

(2) Use references (i) and (j) for model purposes only. HQ USEUCOM, as a Unified Combatant Command, reports directly to the Secretary of Defense regarding Management Control Program matters. The Army program will be used as an administrative model to promote efficiency by adopting an existing format that many persons are already familiar with. However, the annually released "Inventory of Functions Requiring Management Control Evaluations" will be used by HQ USEUCOM as a tool for guidance purposes only.

(3) Wherever possible and to the greatest extent possible, rely on organizationally required and other contributing information sources (such as management and oversight reviews, computer security reviews, financial system reviews, audits, inspections, investigations, internal review studies, quality management initiatives, and management and/or consulting reviews). MCP evaluation should not cause the duplication of existing information that pertains to assessing the effectiveness of MCs or information that may be used for that purpose. Evaluation of the MCs of an assessable unit should NOT be limited to existing information if that information does NOT allow for coverage of the full scope of vital MCs applicable to that unit. Whenever existing data does not provide for adequate review of MCs, then appropriate reviews should be planned and provided that will enable management to make reasonable judgments about the effectiveness of their MC's. When considering the scope and necessity for reviewing or testing of MCs, managers should determine whether controls should be classified as "vital" or "nonvital." In the final analysis, management's opinion about the status of an organization's MCs is based primarily on the status of its vital MC's.

b. Each HQ USEUCOM assessable unit shall submit to the DCINC, HQ USEUCOM, (ATTN: ECCM-F) based on the execution of their MCP, a statement of assurance that indicates whether or not the MC systems meet the program standards, goals, and objectives of sound and effectively implemented MCs. Assessable unit statements, individually and in total, will serve as support for the letter of assurance to be provided by the DCINCEUR to the Secretary of Defense under 31 U.S.C. 3512 (reference (d)). The Office of the Under Secretary of Defense (Comptroller) (USD(C)) shall provide annual guidance about this activity. Reporting will be in accordance with DoD Instruction 5010.40 (reference (c)).

## 6. **Responsibilities.**

### a. Comptroller. The HQ USEUCOM Comptroller will:

(1) Act as the MC Senior Responsible Official assigned overall responsibility for MC within HQ USEUCOM, accountable to the Chief of Staff and the DCINCEUR.

(2) Assist Heads of HQ USEUCOM MC elements in implementing effective MCPs in their organizations.

(3) Chair the MC Advisory Committee.

(4) Provide MC training and assistance as required. As part of this function, the Comptroller will maintain a library of one or more binders containing the latest version of each reference cited in this Directive for use by each Assessable Unit Manager in implementing this program. Consequently, exhaustive reproductions of such documents are not included as appendices to this Directive.

(5) Monitor implementation of the MC process in HQ USEUCOM.

(6) Prepare semiannual MC reports to OSD(C) and draft the DCINCEUR's annual statement of assurance to the Secretary of Defense, following the format described in enclosure (4) and section F of reference (c).

b. Assessable Unit Managers. Directors, Office Chiefs, and the Commander ES&S (must be at least a colonel or GS-15) are designated as heads of assessable units reportable to the DCINC, and are responsible for MCs throughout their organizations. They will:

(1) Develop and execute a MCP for the organization as a whole.

(2) Identify and test management controls and correct deficiencies.

(3) Consolidate and report MC actions and results to the command group semiannually.

(4) Designate an MC coordinator for the organization.

(5) Directors, Office Chiefs and the Commander ES&S will identify all critical missions within their organizations. An organization may be subdivided, as appropriate, and significant sections of an organization may be designated as a secondary assessable units with the concurrence of the HQ USEUCOM Comptroller. Each secondary assessable unit will have its own MC Coordinator preparing its own MCP and maintaining and submitting routine MCP reports, but each

assessable unit manager will submit a single, consolidated annual statement of assurance covering his entire area of responsibility. Where one or more secondary assessable units are designated within an organization, the assessable unit manager will designate one of them as the primary assessable unit manager responsible for overall coordination of the MC program within his organization.

c. MC Coordinators. MC coordinators (both primary and secondary) will:

(1) Be field grade officers or equivalent with direct access to the head of the assessable unit on matters relating to MCs. (Secondary assessable unit MC coordinators may be of any grade.)

(2) Document the organization's MCP IAW this and other pertinent directives.

(3) Participate as members of the MC Advisory Committee.

(4) Ensure required reports are submitted.

d. MC Advisory Committee will:

(1) Be chaired by the Comptroller and composed of MC coordinators from the assessable units (both primary and secondary).

(2) Meet at least two times per year to:

(a) Discuss MC guidance, problems, and issues.

(b) Review organization MCPs for common areas which may be candidates for a command-wide MC review.

(3) Provide minutes of the MC Advisory Committee meetings to the Chief of Staff and heads of assessable units.

7. **General Procedures**. The MC process mirrors the process newly assigned leaders and managers undertake to evaluate and improve their organizations.

a. When a leader/manager is newly assigned to an organization, the leader studies the structures and missions of the organization (Organize the MCP and designate Assessable Units). The leader then assesses the organization's strengths and weaknesses in various areas ("Risk Assessment"; locally administered). Based upon this assessment, the leader develops plans and programs to support the strengths and correct the weaknesses (the "MCP Task List"; cf. App. C for format).

## 5

b. Since not all of the plans and programs can be implemented simultaneously, the leader prioritizes them. The first plan implemented is the one that will have the best payoff or resolve the most critical problem (the "MCP Evaluation Schedule"; cf. App. C for format). After implementation, the leader then evaluates the results of the implementation and makes subsequent adjustments as required ("MCP Results"; cf. App. C for format).

c. Finally, the leader reports his/her actions and success to senior management ("Report Results"; cf. App. E for format). If there are problems that cannot be resolved at the leader's level, the leader raises them to the next higher level for resolution ("Material Weaknesses"; cf. App. E for format).

## 8. **Detailed Procedures.**

a. As noted above in paragraph 5. a. (3), wherever possible, organizationally required and other contributing information sources should be relied on in order to make the assessment of MCs. MCP evaluation should not cause the duplication of existing information that pertains to assessing the effectiveness of MCs or information that may be used for that purpose. However, evaluation of the MCs of an assessable unit should NOT be limited to existing information if that information does NOT allow for coverage of the full scope of vital MCs applicable to that unit. Whenever existing data does not provide for adequate review of MCs, then appropriate reviews should be planned and provided that will enable management to make reasonable judgments about the effectiveness of the MCs. The accompanying schedules in appendices C, D and E are provided as a means by which to administer and track the HQ USEUCOM MC program.

b. STEP ONE: Organize The MCP and designate Assessable Units.

(1) Assessable unit managers (Directors, Office Chief and Commander ES&S) will:

(a) Designate a field-grade officer or civilian equivalent as MC coordinator and ensure the coordinator has direct access to the head of the assessable unit on matters related to MC.

(b) Ensure MC standards are included in the job descriptions and performance evaluations of managers of secondary assessable units and other managers with significant responsibilities for MCs in the organization.

(c) Designate secondary assessable units if, and as, appropriate.

c. STEP TWO: Identify Key Management Controls: Identify key management controls by functional area. Inherent in this process is an assessment of the risk that the breakdown of any management control could seriously impair a critical process or subject resources to the possibility

of fraud, waste or abuse. Lists of areas subject to such risks identified by HQDA (Army) and/or other Services may be used as guidance, and will be periodically provided to assessable unit MC coordinators by the HQ USEUCOM Comptroller, as available.

d. STEP THREE: Develop and execute the three part Management Control Plan (MCP). Format for the MCP and additional instructions are in Appendix D.

(1) MCP Task List.

(a) The assessable unit manager, with input from his/her principal staff, will identify and develop a list of all tasks, actions, subfunctions, or processes that represent vital management controls. These vital management controls should be evaluated on an ongoing basis. These will be the MCs that are most important to the accomplishment of the mission or responsibilities of the unit and will be primarily tasks or subfunctions internal to the organization but may also include major across-the-staff responsibilities.

(b) This list is then prioritized based upon the manager's assessment of the degree of risk of loss or its importance to success in the overall mission.

(c) The MCP task list may be updated at any time, but must be updated annually in September and submitted to the HQ USEUCOM Comptroller.

(2) MCP Evaluation Schedule.

(a) Each key management control should be, at a minimum, scheduled to be evaluated at least once every five years. Certain "high risk" areas may require more frequent evaluation of their management controls. These areas may be determined by the assessable unit manager or imposed by higher authority, such as the HQ USEUCOM Comptroller, DOD or others. The schedule will include the name of the task, action, subfunction, or process, estimated start and completion dates for the evaluation of MCs, and the individual(s) responsible for the review.

(b) Evaluations may be conducted by an individual or team from inside or outside the organization, the HQ USEUCOM IG, an outside audit agency, or other method acceptable to the manager. Note that as stated in section 5. a. (3) above, reliance should be placed on contributing information sources to the fullest extent possible in order to facilitate minimum expense and increased operational efficiency. Evaluations must determine overall compliance with the MC standards and must include such testing as required in the judgment of management to determine if controls are operating as intended. The results of such testing should be documented (written report or memorandum for record).

(c) The MCP evaluations schedule will be updated semiannually in March and September and submitted to the HQ USEUCOM Comptroller.

(3) MCP Results: When each scheduled MC task evaluation on the MCP is completed, the head of the assessable unit will review the results. If changes in MC procedures are required, they will be scheduled for implementation and monitored through to completion. If controls are adequate, in place, and working, that determination should be noted in the MC files. MCP results will be reported to the Comptroller HQ USEUCOM along with the MCP Schedule semiannually in March and September.

e. STEP FOUR: Document and report the results of the MCP. Reporting requirements for the MCP are summarized below. Forms for submission of the MCP task list, evaluation schedule, and results reporting are found at Appendix C. A sample annual statement of assurance is at Appendix E. Criteria for MC and material weaknesses are at Appendix E.

(1) Report submission procedures:

(a) MCP task lists will be revised and forwarded to the HQ USEUCOM Comptroller in September each year.

(b) MCP evaluation schedules will be updated semiannually in March and September and submitted to the HQ USEUCOM Comptroller.

(c) MCP results will be reported to the HQ USEUCOM Comptroller semiannually in March and September.

(d) Annual Statements of Assurance. In September each year, the head of each assessable unit will submit an annual statement of assurance to the DCINCEUR affirming that MCs in the overall organization are appropriate, in place, and effective in compliance with this Directive

(e) MC weaknesses will be reported semiannually in March and September on the MC Weakness Report in Appendix E. If material weaknesses have been identified, they will be included in the MC Weakness Report and also reported in the annual statement of assurance.

FOR THE COMMANDER IN CHIEF:

OFFICIAL:

MICHAEL A. CANAVAN  
Lieutenant General, USA  
Chief of Staff

DAVID R. ELLIS



LTC, USA  
Adjutant General

8

Appendices

A - Summary of Significant Changes since Prior Issuance, 1 Aug 94.

B - USEUCOM MC Assessable Units

C - Formats for MCP Task Lists, Evaluation Schedules, and Results Reporting

D - Sample Written Statement of Assurance

E - Criteria for Material Weaknesses and Report Format

F - Explanation of Terms

DISTRIBUTION:

ECDC	ECJ3	ECCH	ECMD
ECCS	ECJ4	ECCM	ECPA
ECJS	ECJ5	ECIG	ECCS-AS
ECJ1	ECJ6	ECLA	ECPLAD
ECJ2	ECSO	ECMC	



Appendix A

SUMMARY OF SIGNIFICANT CHANGES

Since Prior Issuance: 1 August 1994

1. The requirement that Secondary Assessable Units be identified, and their associated reporting requirements, has been eliminated. Assessable unit managers shall organize the MCP in his or her functional areas as he or she feels is best suited to accomplishing Program objectives.
2. The formal Risk Assessment procedure and its associated reporting requirements are eliminated. This is not to suggest that risk assessment is not an inherent part of the MCP. It is. However, since the MCP now encourages use of aids provided by outside sources, and recognizes that most managers are aware their areas, processes, and resources that are most vulnerable to fraud, waste, abuse or other difficulty, the formerly required formal documentation procedures associated with this process have been eliminated.



## Appendix B

## HQ USEUCOM MC Assessable Units

A-1. Assessable Units which report to the DCINC.

## Command Group

(ECDC, ECCS, ECCS-P, ECPLAD, ECJS, CDC, CINC's Mess combined)

ECJ1	ECJ6	ECLA
ECJ2	ECSO	ECMC
ECJ3	ECCH	ECMD
ECJ4	ECCM	ECPA
ECJ5	ECIG	



## Appendix C

### Formats for MCP Task Lists, Evaluation Schedules, and Results Reporting

C-1. Management Control Program (MCP) Reports provide information which heads of assessable units and the Comptroller will use to plan, execute, monitor, and revise the MCP in HQ USEUCOM and prepare required semiannual reports to the Secretary of Defense (Comptroller).

C-2. The following pages provide the reporting formats for Task Lists, Evaluation Schedules, and Results Reporting. Respondents may use copies of the forms as is or they may be retyped in an edited format provided the basic layout of the format remains the same.





## Appendix C

Management Control Plan  
Task List

Assessable Unit: \_\_\_\_\_ Date Prepared: \_\_\_\_\_

Requirement: List 10-20, or more, actions, subfunctions, processes, standard operating procedures (SOPs), or other tasks that have or should have internal controls associated with them to ensure the action or task is properly accomplished. Selected tasks should be tasks important to accomplishment of the overall assessable unit mission.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_
11. \_\_\_\_\_
12. \_\_\_\_\_
13. \_\_\_\_\_
14. \_\_\_\_\_
15. \_\_\_\_\_
16. \_\_\_\_\_
17. \_\_\_\_\_
18. \_\_\_\_\_



## Appendix C

Management Control Plan  
Evaluation Schedule

Assessable Unit: \_\_\_\_\_ Date Prepared: \_\_\_\_\_  
FY and Quarters Covered by Schedule: \_\_\_\_\_

Requirement: From the MCP task list, select, at minimum, the top four tasks in priority of importance to the mission and schedule, at minimum, one task for MC evaluation each quarter. Assessable units with risk ratings of high or moderate should consider scheduling more tasks than the minimum. The tasks selected should be those most crucial to accomplishment of the overall assessable unit mission or those with the weakest current internal controls. "Across the Staff" tasks should be included in this prioritization. Update semiannually in March and September and submit to Comptroller.

Task Name: \_\_\_\_\_  
Task number from Task List: \_\_\_\_\_  
Planned for quarter: \_\_\_\_\_  
Estimated start date: \_\_\_\_\_  
Estimated completion date: \_\_\_\_\_  
Individual responsible for the review:  
Name, rank: \_\_\_\_\_  
Office symbol & phone: \_\_\_\_\_

Task Name: \_\_\_\_\_  
Task number from Task List: \_\_\_\_\_  
Planned for quarter: \_\_\_\_\_  
Estimated start date: \_\_\_\_\_  
Estimated completion date: \_\_\_\_\_  
Individual responsible for the review:  
Name, rank: \_\_\_\_\_  
Office symbol & phone: \_\_\_\_\_

Task Name: \_\_\_\_\_  
Task number from Task List: \_\_\_\_\_  
Planned for quarter: \_\_\_\_\_  
Estimated start date: \_\_\_\_\_  
Estimated completion date: \_\_\_\_\_  
Individual responsible for the review:  
Name, rank: \_\_\_\_\_  
Office symbol & phone: \_\_\_\_\_

Task Name: \_\_\_\_\_  
Task number from Task List: \_\_\_\_\_  
Planned for quarter: \_\_\_\_\_  
Estimated start date: \_\_\_\_\_  
Estimated completion date: \_\_\_\_\_  
Individual responsible for the review:  
Name, rank: \_\_\_\_\_  
Office symbol & phone: \_\_\_\_\_



## Appendix C

Management Control Plan  
Summary of Results

Assessable Unit: \_\_\_\_\_ Date Prepared: \_\_\_\_\_

FY and Quarters Covered by Schedule: \_\_\_\_\_

Requirement: Briefly summarize the results of the IMC evaluations conducted during the last two quarters. Include internal controls reviewed, whether controls are sufficient and working, describe the tests conducted to verify controls are working, list material weaknesses discovered, and summarize corrective actions recommended. Attach additional details as required.

Task Name: \_\_\_\_\_

Task number from Task List: \_\_\_\_\_

Conducted from (dates): \_\_\_\_\_

Individual conducting the review:

Name, rank: \_\_\_\_\_

Office symbol &amp; phone: \_\_\_\_\_

Summary of Results: \_\_\_\_\_

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Task Name: \_\_\_\_\_

Task number from Task List: \_\_\_\_\_

Conducted from (dates): \_\_\_\_\_

Individual conducting the review:

Name, rank: \_\_\_\_\_

Office symbol &amp; phone: \_\_\_\_\_

Summary of Results: \_\_\_\_\_

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Task Name: \_\_\_\_\_

Task number from Task List: \_\_\_\_\_

Conducted from (dates): \_\_\_\_\_

Individual conducting the review:

Name, rank: \_\_\_\_\_

Office symbol &amp; phone: \_\_\_\_\_

Summary of Results: \_\_\_\_\_

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C-4

## Appendix D

Sample Memorandum for Written Assurance From the  
Head of a USEUCOM MC Element

D-1. As (title) of the (name of USEUCOM MC Element), I am cognizant of the importance of MCs in all operational areas. I have taken the necessary measures to assure that the evaluation of the system of MC of (name of USEUCOM MC Element) has been conducted in a conscientious and thorough manner in accordance with USEUCOM Regulation 50-8. I have included an evaluation of whether the system of MCs of (name of USEUCOM MC Element) was in compliance with standards prescribed by the Comptroller General. I have, to the greatest extent possible, relied on organizationally required and other contributing information sources as required in section 5. a. (3) of ED 50-8 to determine evaluate our MCs.

D-2. The objective of the system of MCs of the (name of USEUCOM MC Element) is to provide reasonable assurance that:

- a. Obligations and costs are in compliance with applicable laws.
- b. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- c. Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets.

D-3. The concept of reasonable assurance recognizes that the cost of MCs should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reduction in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of MCs, including those limitations resulting from resource constraints, congressional restriction, or other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Nonetheless, I have taken the necessary measures to assure that the evaluation, identified in the first paragraph, has been conducted in a thorough and conscientious manner.

D-4. The result of the evaluation indicates that the system of MCs of (name of USEUCOM MC Element) in effect during the year ended 30 September 19XX, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within the limits described in the preceding paragraph.

a. Attachment A to this memorandum describes the rationale for the assertion that reasonable assurance has been achieved.

b. The evaluation, however did disclose the following material weaknesses.<sup>1</sup>

D-5. Attachment B to this report contains the recommended plans and schedules for correcting such weaknesses,<sup>1</sup> and the status of actions taken to correct weaknesses identified in prior years' reports<sup>2</sup>.

<sup>1</sup> If there are no material weaknesses, this sentence should be deleted, and there would be no attachment A containing plans and schedules for correcting such weaknesses.

<sup>2</sup> If there were no actions taken during the past year to correct weaknesses, or no identified weaknesses for which corrective actions remain to be taken, this phrase would be deleted.



## Appendix E

## Management Control Weakness, Material Weakness, and Report Formats

E-1. MC Weakness. Absence of MCs or noncompliance with any vital MC constitutes a MC Weakness that must be corrected.

a. Identification of an MC Weakness does not mean that the manager is doing a poor job. Rather, identification of an MC Weakness signifies that the manager is actively participating in the MC process to identify and improve MCs.

b. Once identified, the manager should develop and implement a plan with milestones to correct the MC Weakness.

c. MC Weaknesses are to be reported to HQ USEUCOM Comptroller semiannually on the MC Weakness Reports, Parts A and B, provided on the following pages.

E-2. Material Weakness. An MC Weakness may or may not be considered Material; that call is a management decision required of the head of the assessable unit.

a. A MC Weakness that requires corrective action at the next higher lever of management should be designated a Material Weakness.

b. In addition, the head of an assessable unit may decide that other MC Weaknesses are Material Weaknesses after considering the following factors: significantly impaired fulfillment of essential missions; diminished credibility or reputation of management or the Command; current or potential probability of adverse interest or publicity from the Congress or the media; actual or potential loss of resources; of sensitivity of the resources involved. Dollar significance is not necessarily a deciding factor.

c. Audit-type findings generally address MC Weaknesses at the affected assessable unit(s). However, the final determination of whether a weakness warrants reporting as a Material Weakness remains a matter of management judgment.

d. Material Weaknesses are to be identified in the Annual Statement of Assurance from the head of the assessable unit and included on the semiannual MC Weakness Reports, Parts A and B, provided on the following pages. Material Weaknesses are to be identified by a double asterisk (\*\*) after the title of the weakness on Parts A and B of the reports.

e. Additional guidance in applying the concept of “material weakness” is contained in Appendix F.

E-3. MC Weaknesses Report. The MC Weakness report, Part A quantitatively tracks the status and progress of weaknesses identified through an organization's MC process. MC Weakness Report, Part B provides a narrative on the tracking of these weaknesses. In both parts, weaknesses are subdivided into major reporting areas and blanks are provided for categories unique to a HQ USEUCOM organization. While Part A is strictly quantitative, Part B requires commentary on the status and progress toward resolution of the weaknesses disclosed in Part A. If no weakness have been identified, the reports are not required.

E-4. MC Weakness Report - Part A. This report tracks the progress of weaknesses toward resolution.

a. Column 1. List weaknesses identified by category: List weaknesses identifying each according to the classifications at the bottom of Part A. Identify material weaknesses with a double asterisks (\*\*) after the title.

b. Column 2. Weaknesses Resolved: A mark in this column means the weakness has been resolved in the current year.

E-1  
Appendix E (con't)

c. Column 3. Applicable Action in Progress--Milestones Set: Annotate here if the weakness is being resolved in accordance with approved milestones.

d. Column 4. Applicable Action in Progress--No Milestones: Annotate here if a weakness is pending the establishment of milestones.

e. Column 5. Corrective Action Beyond Scope of Authority: Annotate here if the ability to take action to resolve a weakness is beyond the organization's authority.

2 June 2000

ED 50-8

E-2

## Appendix E (cont'd)

***Note: Assessable Units are welcome to reformat this schedule as landscape, on 14 inch paper, if desired.***

## Management Control Weakness Report - Part A

Assessable Unit \_\_\_\_\_ Date \_\_\_\_\_

FY 19XX

Statistics for the 6-Month Period \_\_\_\_\_ to \_\_\_\_\_

(1)	(2)	(3)	(4)	(5)
IDENTIFIED WEAKNESS	WEAKNESS	CORRECTIVE ACTION IN PROGRESS - SCOPE	CORRECTIVE ACTION IN PROGRESS - NO	CORRECTIVE ACTION BEYOND
(Note 1)	RESOLVED	MILESTONES SET	MILESTONES	OF AUTHORITY
	THIS PERIOD YTD	THIS PERIOD YTD	YTD	YTD
1.				
2.				
3.				
4.				
5.				
6.				
7.	<b><i>Open up &amp; use multiple pages as necessary.</i></b>			
8.				
9.				
10.				
11.				
12.				
13.				
14. (etc.)				

NOTE 1 - Place double asterisk (\*\*) beside the title of the weakness to identify it as a "Material Weakness" to be reported in the Annual Statement of Assurance.

NOTE 2 - NUMBERED CATEGORIES (cf. Encl. 4 to ref. (c) for definitions) ARE:

- |  |  |
|--|--|
| 1. PROCUREMENT                                   | 7. PERSONNEL, &/OR ORGANIZATION MANAGEMENT |
| 2. FORCE READINESS                               | 8. FOREIGN MILITARY SALES                  |
| 3. SUPPLY OPERATIONS                             | 9. COMPTROLLER &/OR RESOURCE MANAGEMENT    |
| 4. PROPERTY MANAGEMENT                           | 10. SUPPORT SERVICES                       |
| 5. COMMUNICATIONS, INTELLIGENCE, & SECURITY      | 11. SECURITY ASSISTANCE                    |
| 6. INFORMATION TECHNOLOGY                        | 12. TRANSPORTATION                         |
| 13, 14, etc. OTHER (SPECIFY, Locally determined) |  |

## Appendix E (cont'd)

E-5. Management Control Weakness Report - Part B. This report provides brief commentary on each weakness identified as part of the summary in Column 1 of Part A. Commentary should describe actions for the reporting period and not reiterate information in a previous report. As a weakness moves from identification to resolution in Part A, the commentary in Part B should describe the actions taken toward resolution.

- a. List weakness identified by category. Identify Material Weaknesses by a double asterisk (\*\*) after the title.
- b. A statement of the problem.
- c. Name and telephone number of the POC.
- d. State the source employed to identify the weakness, i.e., MC Evaluation, DODIG, GAO, USEUCOM IG, or other and the date identified.
- e. A milestone chart for corrective action and milestone accomplishments to date.
- f. Status of corrective actions and accomplishments of the milestone chart.



## Appendix E (cont'd)

## Management Control Weakness Report - Part B

Assessable Unit \_\_\_\_\_ Date \_\_\_\_\_  
FY 19XX

MC Statistics for the 6-Month Period to

## MC Weakness Action Commentary

Provide narrative commentary for categories with activity this period.

1. PROCUREMENT:
2. FORCE READINESS:
3. SUPPLY OPERATIONS:
4. PROPERTY MANAGEMENT:
5. COMMUNICATIONS, INTELLIGENCE & SECURITY:
6. INFORMATION TECHNOLOGY
7. PERSONNEL AND/OR ORGANIZATION MANAGEMENT
8. FOREIGN MILITARY SALES:
9. COMPTROLLER AND/OR RESOURCE MANAGEMENT
10. SUPPORT SERVICES
11. SECURITY ASSISTANCE
12. TRANSPORTATION
- 13, 14, (etc.): OTHER (specify):





## Appendix F

Guidance in Applying The Definition of Material WeaknessF-1. A Material Weakness Must Satisfy Two Conditions:

a. It must be a condition in which MCs, or compliance with them, do not provide reasonable assurance that the objectives of the MC Program are being met. In effect, the weakness results from MCs that are not in place, not used or not adequate.

b. It must be a condition that requires the attention of the next higher level of management. As with many other aspects of this program, whether a weakness is material enough to warrant reporting to a level higher than that at which it was discovered shall always be a management judgment. Fundamentally, managers should consider reporting a weakness to the next higher level if the participation of management at a higher level is required to help resolve the problem or, although the problem can be resolved at the lower level, it is serious enough, in the judgment of the manager with the control weakness, to bring to the attention of higher level management as a point of information. The additional yardsticks provided in sections F-2 and F-3, below, are provided to help managers understand the concept of materiality and are not intended to be determinants of materiality.

F-2. Discussion of Material Weakness Definition in F-1, above

a. A material weakness in the DoD system of MCs may be due to lack of an applicable control, or more frequently, inadequate compliance with existing controls. These controls deal with all programs, operational and administrative functions; they are not limited to financial or accounting matters. Because of the size and diversity of the Department of Defense, material weaknesses are considered at the following four levels:

(1) DOD Level. When a weakness is serious enough to merit OSD attention or exists in a majority of DoD Components.

(2) Component Level. When a weakness exists with unacceptable frequency throughout the DoD Component, or at one installation and/or activity requiring DoD Component Head attention.

(3) Major Command or Field Activity Level. When a weakness requires the attention of the Office of the Head of a major command.

(4) Installation or Activity Level. When a weakness requires the attention of the Office of the Head of an installation.

b. In addition to the basic characteristics of a material weakness described in section A. and subsection B.1., above, the final determination to categorize a MC weakness as material results from management judgment about the relative impact of the weakness. For example, scoring each of the following considerations as "significant" or "insignificant" might help a manager in determining whether the absence of or noncompliance with a control is a material weakness.

(1) Actual or potential loss of resources.

(2) Sensitivity of the resources involved.

(3) Magnitude of funds, property, or other resources involved.

F-1  
Appendix F (cont'd)

- (4) Frequency of actual and/or potential loss.
- (5) Current or probable media interest (adverse publicity).
- (6) Current or probable congressional interest (adverse publicity).
- (7) Unreliable information causing unsound management decisions.
- (8) Diminished credibility or reputation of management.
- (9) Impaired fulfillment of essential mission or operations.
- (10) Violation of statutory or regulatory requirements.
- (11) Impact on information security.
- (12) Deprived the public of needed Government services.

c. Monetary value impact generally shall be considered material when the weakness has caused or might cause loss of control over a significant amount of resources for which an organization is responsible (including money, personnel, equipment, etc.).

d. Open findings on MCs from any source, agreed to by management, are candidates for a material weakness at the applicable level, until all corrective actions are complete.

F-3. Determining a Material Weakness. This determination is a management judgment as to whether a weakness meets the criteria discussed in sections F-1 and F-2, above. A higher or lower dollar threshold may be applicable in different contexts, depending on the nature and characteristics of the weakness, and the level in the organization that the problem is identified.

2 June 2000

ED 50-8

F-2